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July 26, 2006

Mr. Charles L.A. Terreni
Chief Clerk/Administrator
South Carolina Public Service Commission
101 Executive Center Dr., Suite 100
Columbia, SC 29210

Re: Response to Order Granting
Waiver of Meter Testing
Requirements

Dear Mr. Terreni:

Under DOCKET NO. 2006-63-E - ORDER NO. 2006-159 dated March 13, 2006, the Public Service Commission of South Carolina granted Lockhart Power Company (Lockhart or Company) a waiver of the Commission's meter testing requirements as set forth in Commission Regulation 103-370. The Company had requested that the waiver be granted in order to avoid the cost to the Company and the ratepayer of the testing of meters that are scheduled for replacement during years 2006 - 2008. The Commission granted the waiver to extend through the end of the Company's 3-year meter replacement process.

In issuing its order the Commission directed Lockhart to submit to both the Commission and the ORS its 3-year schedule of meter replacement activity and update both the Commission and ORS annually on its progress on the meter replacement project. The Company was further ordered to submit its Sample Meter Testing Plan to the Commission on or before December 31, 2008, to assure future compliance with Commission Regulation 103-370. This letter serves as Lockhart's response to the provisions of the Order.

Since the date of the Order, Lockhart has continued along its path of meter replacement. The plan as presented in the request for waiver was to replace approximately 1,100 meters per year in order to complete this process by the end of year 2008. We are actually ahead of schedule as of the end of the first half of 2006 (including growth in the total number of active meters) as indicated in the following table:

<u>Date</u>	<u>Active Meters</u>	<u>Replaced Meters</u>	<u>Meters Remaining to be Replaced</u>
12-31-05 Actual	6,152	3,099	3,053
6-30-06 Actual	6,193	3,834	2,359
12-31-06 Estimated	6,200	4,400	1,800
12-31-07 Estimated	6,250	5,500	750
12-31-08 Estimated	6,300	6,300	0

Note: The total number of meters replaced during the first six months of 2006 was 735.

The Company's standing order for new meters is 96 meters per month, which amounts to 1,152 meters per year. We will continue replacement at this rate. Consequently, the replacement process should end ahead of schedule.

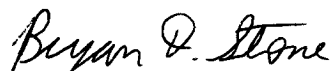
As also stated in the request and acknowledged in the Order, Lockhart is continuing to test each new meter to insure its required accuracy before placing the meter into service. It is likewise testing each old meter that is removed from service. Any billing for a meter found upon removal to be "fast" by more than two (2) percent is corrected.

Another provision of the Order was that Lockhart provides the Commission and the ORS an annual progress update showing a summary of final testing results of meters that are removed from service. This data is being collected currently as a part of the replacement process and we are on schedule to furnish the data to both the Commission and the ORS shortly after the first of each calendar year during this replacement program.

Finally, the Company has not yet begun development of its Sample Meter Testing Plan, but will do so sometime during 2008, and will submit it to the Commission on or before December 31, 2008.

Thank you for your consideration in this matter and should you have any questions or need further information, please do not hesitate to contact me.

Yours sincerely,
LOCKHART POWER COMPANY



Bryan D. Stone
Business Manager

BDS/pwi

cc: Mr. C. Dukes Scott, Esq.
Mr. M. John Bowen, Jr. Esq.